MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

UCL3612 – COMPANY LAW I

(All Sections / Groups)

12 OCTOBER 2015
Reading Time: 9.00 a.m. – 9.15 a.m.
(15 Minutes)
Answering Time: 9.15 a.m. – 12.15 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes ONLY in the question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.

2. This Question paper consists of 3 pages with 5 Questions only.

3. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are allowed to bring into the Examination Hall a CLEAN and ORIGINAL copy of Companies Act 1965 (Act 125).

5. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Jingle Bhd. ("JB") holds 55% shares in Kaka Sdn. Bhd. ("KSB") and 100% shareholding in Diggle Sdn. Bhd. ("DSB"). KSB has 35% shareholding and can elect 5 out of 8 members of the Board of Directors in Giggle Sdn. Bhd. ("GSB"). There are only four members in GSB, namely Mickey, Minnie, Donald and Daisy. Mickey is one of the directors of GSB and his son, Teddy holds 20% voting shares in Tata Sdn. Bhd. ("TSB").

With reference to the relevant provisions of the Companies Act 1965, answer the following:

(a) Identify the types of each company.

(5 marks)

(b) Explain the relationship between these companies.

(12 marks)

(c) GSB plans to make a loan to TSB. Advise GSB whether this will infringe any provision in the Companies Act 1965.

(8 marks)

(Total: 25 marks)

QUESTION 2

Bingo Bhd. ("BB") owns all the issued share capital in Dingo Sdn. Bhd. ("DSB") and 35% shares in Jingo Sdn. Bhd. ("JSB"). The directors of BB are also directors of DSB and JSB. DSB has incurred huge losses in its business. The creditors of DSB demanded BB to pay the debts of DSB as DSB appears to be insolvent now.

The Articles of Association of JSB provides, *inter alia*, that JSB has the power to borrow money for the sum not exceeding RM300,000 as long as a Board resolution is passed. Any loan which exceeds the sum of RM300,000 or any charge of the company's property must be approved by a special resolution of the general meeting. In February 2015, the directors of JSB passed a resolution that JSB was to obtain a loan of RM350,000 from Raya Bank Bhd. ("RBB") and a floating charge was created over its stock-in-trade in favour of RBB as a security for the loan. No special resolution was passed in the general meeting. JSB defaulted on the loan. JSB would like to know whether the loan agreement and charge created in favour of RBB are binding on them since there is no special resolution of the general meeting.

Advise BB and JSB.

(Total: 25 marks)

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QUESTION 3

Winwin Sdn. Bhd. ("WSB") was incorporated with the sole object to sell electrical goods. Subsequently, the board of directors of WSB decided that WSB should venture into book shop business without amending the object clause. For this purpose, WSB has entered into a contract with a publishing company called Sunshine Sdn. Bhd. ("SSB") to purchase various types of books for the sum of RM50,000. The books are yet to be delivered to WSB. Another contract was entered into between WSB and Hello Sdn. Bhd. ("HSB") to purchase numerous book shelves for the book shop. All the book shelves have been delivered to WSB but HSB has not been paid. Two of the members of WSB, Snoopy and Garfield oppose this new venture. They wish to bring a legal action to protect WSB before the books are delivered to WSB. They are also uncertain whether HSB can enforce the contract if WSB defaults in payment.

There is a proposal to alter WSB's Articles of Association by inserting a new provision which allows the directors to buy out at a fair price the shareholding of any member who competes with the company's business. Odie who holds 15% shares in WSB indicated that he will object to the proposal.

Advise Snoopy, Garfield and Odie.

(Total: 25 marks)

QUESTION 4

Style Sdn. Bhd. ("SSB") is a construction company. Initially, its directors were Hercules, Nemo and Dory.

Three years ago, SSB negotiated with Wow Sdn. Bhd. ("WSB") for a new project at Nusajaya but the negotiation was not successful. Subsequently, Hercules who was one of the parties involved in the negotiation, was approached by Owen, the managing director of WSB. Owen informed Hercules that WSB hoped to employ him in a personal capacity in view of his expertise. Hercules resigned as the director of SSB and tendered for the project with WSB on his own accord. Hercules was awarded the project at Nusajaya by WSB and he made a huge profit from that project.

Nemo and Dory made an investment on behalf of SSB. They relied on the expert advice and a report prepared by the auditor who was retained by SSB. Unfortunately, the investment failed and SSB suffered substantial losses.

Advise Hercules, Nemo and Dory on their possible liabilities and the consequences.

(Total: 25 marks)

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QUESTION 5

Blue Sea Bhd. ("BSB") is the holding company for Red Sea Sdn. Bhd. ("RSSB"). Pluto is a full-time director of BSB.

Answer the following:

(a) Pluto requested RSSB to create a charge in favour of Kaya Bank Berhad ("KBB") as a security for a loan made by KBB to him. Pluto also requested RSSB to provide him with funds to meet his expenses incurred in entertaining clients of RSSB. RSSB is uncertain whether the two transactions are allowed under the Companies Act 1965 and what are the consequences if they were to breach any such prohibition.

Advise RSSB.

(15 marks)

(b) BSB would like to appoint two new directors. Can the appointment be made by passing a single resolution or must the two directors be voted in individually?

(2 marks)

(c) BSB is considering to appoint Apolo as its new director to replace Agogo who retired as the director of BSB. Apolo is 71 years old and had been discharged from bankruptcy seven years ago. BSB wishes to know whether there is any legal obstacle in the Companies Act 1965 to appoint Apolo as the new director.

Advise BSB.

(8 marks)

(Total: 25 marks)

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